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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)

Applications of WorldCom, Inc. and)
MCI Communications Corporation)
for Transfer of Control of)
MCI Communications Corporation to)
WorldCom, Inc.)

CC Docket No. 97-211

To: The Commission

REPLY COMMENTS

The undersigned coalition of entities ("Coalition")¹ respectfully submits its reply comments in the above-captioned proceeding. These reply comments address issues raised by MCI Communications Corporation's ("MCI") ex parte² containing information on the proposed sale of certain MCI Internet assets to Cable & Wireless ("C&W").³

¹ The Coalition is comprised of the following entities: Rainbow/PUSH Coalition; National Association of Black-Owned Broadcasters; and Telecommunications Advocacy Project.

² "Divestiture of Internet MCI Internet Backbone Business," Ex Parte Submission, MCI Communications Corporation, CC Docket No. 97-211 (filed June 3, 1998).

³ The FCC issued a public notice on June 4, 1998 inviting interested parties to comment on the proposed transaction between MCI and C&W. Comments were due on June 11, 1998; and reply comments were due on June 16, 1998. "Commission Seeks Comment on

(Continued...)

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**I. THE RECORD EVIDENCE IS CLEAR -- THE PROPOSED
DIVESTITURE DOES NOT ELIMINATE THE MERGER'S
ANTICOMPETITIVE EFFECTS ON THE INTERNET BACKBONE
MARKET.**

All of the commenters agree -- MCI's proposed divestiture of a limited portion of its Internet business does little, if anything, to address the serious competitive harms that would result from the merger of MCI and WorldCom.⁴ In addition, the proposed sale does not bring the Applicants any closer to satisfying the Commission's public interest standard than before the deal was announced. Rather, it is simply another attempt by

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MCI Ex Parte Describing Internet Aspects of Proposed WorldCom and MCI Merger, Public Notice, CC Docket No. 97-211, DA 98-1059 (rel. June 4, 1998).

⁴ See, e.g., Comments of AT&T Corp. on MCI's June 3, 1998 Ex Parte, CC Docket No. 97-211, at 1-2 (filed June 11, 1998) ("AT&T Comments"); Bell Atlantic Comments on the MCI Ex Parte Describing Internet Aspects of Proposed WorldCom and MCI Merger, CC Docket No. 97-211, at 2 (filed June 11, 1998); BellSouth Corporation's Comments on MCI's Proposed Partial Internet Divestiture, CC Docket No. 97-211, at 1 (filed June 11, 1998); Comments of the Communications Workers of America on MCI Ex Parte Describing Internet Aspects of Proposed WorldCom and MCI Merger, CC Docket No. 97-211, at 1 (filed June 11, 1998); Comments of GTE, CC Docket No. 97-211, at 1-2, 29; Comments of Internet Service Providers' Consortium, CC Docket No. 97-211, at 3 (filed June 11, 1998); Comments of Simply Internet, Inc. in Response to Proposed MCI Divestiture, CC Docket No. 97-211, at 1-2 (filed June 11, 1998); Comments of Sprint Corporation, CC Docket No. 97-211, at 1-2 (filed June 11, 1998); Comments of Telstra Regarding MCI's Proposed Divestiture of Internet Assets to Cable & Wireless (C&W), CC Docket No. 97-211, at 5 (filed June 11, 1998).

MCI and WorldCom to hide the truth -- that the proposed merger is inherently anticompetitive and lacks any significant public interest benefits. An analysis of the proposed sale only confirms further what Petitioners have been saying all along: the combination of MCI and WorldCom would create an entity that would dominate the Internet backbone market. The sale to C&W does nothing to alter this reality. Accordingly, the Coalition urges the Commission to dismiss or deny the applications of MCI and WorldCom.

II. THE PROPOSED DIVESTITURE DOES NOT BRING THE APPLICANTS ANY CLOSER TO SATISFYING THE COMMISSION'S PUBLIC INTEREST STANDARD.

MCI's action is yet another illustration of the Applicants' failure to ensure that the proposed merger serves the public interest. As demonstrated in previous filings, there is a clear linkage between the Commission's policy in favor of diversity and the Bell Atlantic/NYNEX Order's public interest analysis,⁵ which includes, in part, an examination of the effect of a potential

⁵ See Petition To Deny of Rainbow/Push Coalition, CC Docket No. 97-211, at 7 (filed Jan. 5, 1998) ("Rainbow/Push Petition To Deny"); Ex Parte Presentation on Redlining of Rainbow/PUSH Coalition and the Greenlining Institute, et al., CC Docket No. 97-211, at 3-4 (filed June 3, 1998) ("Rainbow/PUSH and Greenlining, et al. Redlining Ex Parte").

merger on diversity.⁶ In its Petition to Deny, the Rainbow/PUSH Coalition ("Rainbow/PUSH") identified a number of public interest commitments that the parties could either voluntarily adopt or the FCC could impose as conditions for approval of the merger. Included among this list were the following recommendations:

- "MCI WorldCom should be expected to deal fairly with entrepreneurs of color when developing and implementing reseller relationships."⁷
- "MCI WorldCom should be expected to develop trade relationships with entrepreneurs and suppliers of color at a level commensurate with MCI WorldCom's proposed status as one of the two principal economic engines driving the long distance and Internet businesses."⁸

⁶ See NYNEX Corp. and Bell Atlantic Corp. For Consent To Transfer Control of NYNEX Corp. and Its Subsidiaries, 12 FCC Rcd 19985, 20003 (1997) (Bell Atlantic/NYNEX Order) and citing, inter alia, Capital Cities/ABC, Inc., 11 FCC Rcd 5841, 5885-95 ¶¶82-99 (1996) for the principle that the "public interest includes concerns regarding diversity and concentration of economic power." Rainbow/PUSH has previously articulated the scope of Commission precedent for including an examination of diversity issues under the public interest rubric of the Bell Atlantic/NYNEX Order. See Rainbow/PUSH Petition To Deny, CC Docket No. 97-211 (filed Jan. 5, 1998).

⁷ Rainbow/PUSH Petition to Deny at 35.

⁸ Id.

- "MCI WorldCom should be expected to develop a plan to enhance minority entrepreneurship in telecommunications, e.g., by making sizable investments in entrepreneurs of color."⁹

MCI and WorldCom missed a golden opportunity to put some meat on their skeletal public interest showing. For example, MCI could have offered to sell its entire Internet business to a U.S. minority-owned entity. By no means, however, are we suggesting that a sale to a minority-owned business of the limited assets being transferred to C&W would by itself have resolved the competitive concerns raised by the merger. As the commenting parties have unanimously demonstrated, MCI's partial divestiture does not alleviate the competitive concerns created by the merger of MCI and WorldCom. Consummation of the C&W deal would still leave the merged entity with sufficient power in the Internet backbone market to discriminate against competitors. The proposed divestiture is simply inadequate to change this anticompetitive result.

A sale of Internet assets to a U.S. minority-owned business would have demonstrated that the Applicants are serious about making substantial and tangible public interest commitments. As Rainbow/PUSH and others have demonstrated throughout this

⁹ Id.

proceeding, MCI's and WorldCom's commitment to local residential consumers¹⁰ and urban and minority residences and businesses¹¹ is suspect. The exclusion of eligible minority-owned buyers, when considered in conjunction with the Applicants' pattern of redlining and cream-skimming, calls into question the veracity of the Applicants' public interest claims and their fitness to hold FCC applications.

A sale to a minority-owned entity, though far from being a cure-all to eliminating the merger's anticompetitive effects, would have been a step in the right direction toward fulfilling the Applicants' public interest obligations. MCI's strategy in selling its Internet assets to C&W and excluding under-represented buyers represents nothing more than an attempt to avoid effective competition. As several commenters have pointed out, it seems as if MCI handpicked C&W simply to placate regulators, both here and abroad, and to ensure that the ultimate

¹⁰ See Rainbow/Push Petition to Deny at 18; Further Comments of Rainbow/PUSH Coalition on WorldCom/MCI's Joint Reply To Petitions To Deny and Comments, CC Docket No. 97-211, at 11 (filed Mar. 13, 1998) ("Rainbow/PUSH Coalition Further Comments"); Renewed Motion to Dismiss of Coalition, CC Docket No. 97-211, at 7-10 (filed May 21, 1998).

¹¹ See Rainbow/Push Petition to Deny at 22-26; Rainbow/PUSH Further Comments at 3-10; Rainbow/PUSH and Greenlining, et al. Redlining Ex Parte.

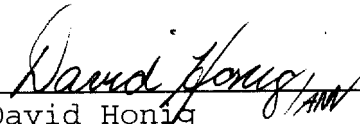
buyer would pose no competitive threat to the merged entity.¹²

CONCLUSION

The proposed divestiture will not eliminate the anticompetitive harms created by the MCI/WorldCom merger. The proposed sale is nothing more than an attempt to impose a band-aid remedy as a complete solution to the merger's competitive dangers. Accordingly, the Commission should dismiss or deny the applications of MCI and WorldCom.

Respectfully submitted,

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June 16, 1998

¹² See, e.g., AT&T Comments at 5 ("In selling the divested assets, MCI excluded parties that could effectively use Mica's divested Internet assets to compete with the merged WorldCom/MCI entity.")

CERTIFICATE OF SERVICE

I, Gina Stuart, hereby certify that on this 16th day of June, 1998, I caused copies of the foregoing Reply Comments of the Coalition to be delivered by first class U.S. mail to the following:

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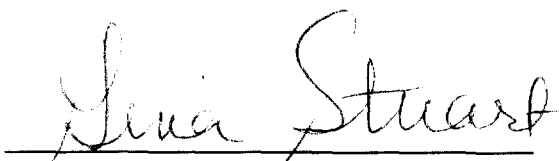
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